

**AN EXPLORATION OF DIVERSITY PRACTICES IN
SMALL SUCCESSFUL COMPANIES**

**Sandra Powell
H. Lon Addams
Brian Davis**
Weber State University

ABSTRACT

This exploratory study looks at small publicly-held businesses in the Forbes 200 lists of 1995 and 1996 to determine the extent to which they have formal practices to promote diversity in their workforce and their success (and problems) with those practices. Formal diversity practices were found in about one-quarter of the responding companies. While the CEOs in all companies indicated satisfaction with the amount of attention spent on diversity efforts, those with formal practices on average gave themselves "C" grades in terms of the effectiveness of their specific programs. The most successful elements of formal diversity programs included family-friendly policies and policies against prejudice (graded B+). Suggestions are made for developing diversity programs.

INTRODUCTION

Much has been written about the importance of diversity practices in companies (Comer & Soliman, 1996; Cox, 1991; Cross, 1996; Fine, 1995; Gardenswartz & Rowe, 1993, and Joplin & Daus, 1997). The workplace is becoming increasingly diverse in terms of gender, ethnicity, race, age, disability, and many other dimensions (Fine, 1995; Morrison, 1992; Thomas, 1991). According to Gardenswartz and Rowe (1993, 4), the Hudson Institute Workforce 2000 report of 1987 "stripped away the last vestiges of denial from corporate America" and convinced us that workforce diversity issues must be addressed.

Businesses are becoming more interested in utilizing this increasingly diverse workforce effectively. Large corporations are generally implementing policies and practices to help them develop and use the various skills and viewpoints of different employees (Caudron & Hayes, 1997; Jackson and Associates, 1992; Scales & Emery, 1996; White 1996). Programs have been implemented in larger companies to accomplish the following objectives: (1) increased recruitment through (a) targeted recruitment of managers, non-managers, and interns; and (b) partnerships with special communities and educational institutions; (2) increased retention and promotion through programs to develop and support ALL employees (especially those that are diverse), such as (a) skills and attitude training, (b) formation of networks and support groups,

(c) mentoring, and (d) career planning seminars and focus groups; and (3) accountability by (a) making diversity a part of performance evaluations, promotion decisions, compensation decisions, and succession planning; (b) setting policies (such as those that are family friendly and anti-prejudice) and (c) establishing grievance and resolution processes. Further information about programs and companies that have implemented them is discussed at the end of this paper.

Many profit-related reasons have been offered for establishing formal diversity practices. These include reducing the costs of turnover, absenteeism, and lawsuits; they also involve attracting talented employees, improving marketplace understanding, and producing higher quality problem-solving (Comer & Soliman, 1996; Robinson & Dechant, 1997).

Many large, stable organizations have created systems, policies, and procedures to deal with the legal, ethical, and practical considerations of diversity (Morrison, 1992). However, we reasoned if managing diversity is an important element of organizational success, then executives in smaller, successful companies will also need to address this issue. We wondered if the CEOs of highly-successful, small companies perceived the issues of a diverse workforce as sufficiently important for them to use their limited resources of time and money for developing diversity programs and procedures. Other questions we asked were: How do CEOs of small, successful companies define diversity? What structures (programs, policies, or procedures) do they use to manage diversity, what problems have they encountered in implementing diversity structures, and how successful have those structures been?

BACKGROUND

We used the term "diversity" in our study, to signal corporate practices and programs focusing on employee differences, but a more exact phrase may have been "cultural diversity." There are many ways individuals can differ, such as the Jungian types of the Myers-Briggs Type Indicator, but we are only interested in those categorizations that are defined as culturally relevant. Other scholars prefer the term "multiculturalism." A multicultural organization is one that values diverse cultural modes, creates an organizational dialogue in which no cultural perspective dominates, and empowers all cultural voices (Fine, 1995). While "multiculturalism" connotes a particular definition of success in utilizing different types of employees, we preferred "diversity" since it is a more neutral term.

Diversity can be defined many ways. A simple definition might be "the many ways in which people are different from each other." According to Robinson and Dechant (1997, 22), many companies (or scholars) use the Equal Employment Opportunity Commission's (EEOC) definition, which focuses on "gender, race/ethnicity, and age". Other scholars complain that this approach is too narrow (Macy, 1996; Jamieson & O'Mara, 1991) and add such elements as physical abilities and sexual orientation. Some definitions, like that of Griggs (1995), also add religion, socioeconomic class, education, life experience, position in the family, personality, job function, and rank in the hierarchy. While many individuals in this field favor more inclusive definitions, some scholars argue that an inclusion of everything from left-handedness to birth order dilutes the effect of diversity efforts and "takes the focus off of real oppression, including racism, sexism and homophobia" (Caudron & Hayes, 1997, 122).

In our questionnaire we indirectly asked the respondents for their company's definition of diversity by asking what types of groups their diversity practices were aimed at benefitting. They

could select as many choices as they wished from gender, race, age, or disability. In addition, there was a choice of "other" if they wished to specify some other approach.

Besides being difficult to define, diversity also involves issues that are sensitive, volatile and uncomfortable, as respondents are addressing their own values, stereotypes, and prejudices (Kreitner & Kinicki, 1995). Are differences good or do they become barriers that divide us? According to Cox (1994), they can be either or both, depending on how effectively they are handled. Properly handled, diversity can facilitate communication, creativity, and problem solving; but without careful management increased diversity can lead to "dysfunctional outcomes such as miscommunications and lower team cohesiveness" (Cox, 1994, 17).

Historically, American business has gone through a series of approaches to diversity which have been summarized as: **Affirmative Action (AA)**, **Valuing Differences**, and **Managing Diversity** (Gardenswartz and Rowe, 1993; Thomas, 1991). Attention was first focused on diversity through the Civil Rights Act of 1964, which created the EEOC and led to Affirmative Action. Generally, people and companies had an incentive to be fair because if they were not fair the ensuing law suits could be costly. Through the 1970s and 1980s, people were encouraged to value differences because it was the right thing to do, an approach that is ethically driven. However, employers need additional motivation to do the right thing; Griggs (1995) called this impetus enlightened self-interest, and it can occur at the individual, interpersonal, or organizational level.

The third approach is managing diversity. This approach is pragmatically driven by a company's profitability and involves adjusting "corporate cultures, values, systems, processes and climates to ensure ... all employees ... reach their potential in pursuit of company objectives" (Thomas, 1996, 80). It is argued that companies need to manage their diverse employees appropriately if they expect to maximize the productivity of their human resources and increase company profits.

Morrison (1992) suggests that managing diversity involves paying attention to three human resource functions: recruitment, development, and accountability. Arguments are made that by selecting from the broadest employee pool, developing all employees fully, and being accountable for results, companies will be perceived as being fairer, their employees will be better utilized, and the organizations will be more profitable.

The rhetoric sounds good, but there has been relatively little research to support the claims that are being made (Comer & Soliman, 1996; Cox, 1991; Sanchez & Brock, 1996). Konrad and Linnehan (1995) looked at the issue of whether EEO/AA has improved the status of protected groups. While there is some evidence of improvement, especially in women's representation in management, there is also evidence that the creation of human resource management (HRM) programs and policies may be merely symbolic gestures.

Morrison (1992) interviewed 196 managers in 16 organizations that were role models in developing diversity. She identified diversity practices that were classified into three categories: accountability practices, development practices, and recruitment practices. Morrison's study reported the presence of various diversity practices in the companies' samples and also ranked the importance of each practice as reported by the managers interviewed.

Comer and Soliman (1996) also interviewed executives in national or regional organizations, primarily people in human resource positions. Their questions involved how organizations assess diversity efforts. In addition to evaluating absenteeism, turnover, and patronage by non-

traditional customers, they also suggested polling non-traditional employees concerning their perceptions of discrimination, opportunities, and access to information.

We wondered how CEOs of small, successful companies approached diversity. If such leaders, with their limited resources, recognize and support issues of diversity, they must perceive that there is some benefit in doing so. CEOs may be motivated by the negative, punitive approach of EEO and AA or by the more ethical approach of valuing diversity, but they could also see this as a sound economic decision.

METHODOLOGY

Sample

The population sampled was the Forbes 200 companies. We used this sample because of the acknowledged success of these companies and because of the accessibility of the population. While this sample differs from the traditional Department of Commerce and United States Small Business Administration definition of small business, it seemed like an appropriate exemplar for other small businesses.

Each year Forbes selects the most successful publicly-held small companies. Their definition of "small" is based on revenue and involves companies with annual revenue between \$5 and \$350 million. The number of employees in each company is not reported. Of the 5,774 companies eligible for inclusion in the list in 1996, the top 3.5% were selected as the most successful companies (Kichen & Hardy, 1996). A number of elements are used to rank success: profit as measured by return on equity (both 5-year average and the latest 12-month data), growth, market value, stock price change, and earnings per share.

The Forbes 200 companies of both 1995 and 1996 were used in order to generate a larger sample. Only 89 companies on the 1995 list were also on the 1996 list (Kichen & Conlin, 1996). The total of 311 (200 from 1996 and 111 from 1995) was reduced to 294, because 15 questionnaires were undeliverable.

Three mailings of the questionnaire were sent, each approximately three weeks apart. A total of 42 usable questionnaires was returned from the three mailings. We were surprised that more companies didn't respond. A study done two years earlier (Addams, Baker & Davis, 1996) of approximately the same number of CEOs of Forbes companies yielded 103 responses, more than twice as many. We believe that the subject matter of the survey had some impact on the response rate. Interviews of CEOs who completed our questionnaire in a pilot study indicated that diversity may be a sensitive or painful topic for some CEOs. For example, one CEO in our pilot group had just completed a successful but expensive EEO lawsuit. He indicated that his response to such a survey would be to discard it.

In addition, companies may be hesitant to evaluate diversity efforts, according to Comer and Soliman (1996). They offer several reasons why they, too, had difficulty getting cooperation with a diversity assessment project. Reasons include hesitance to get beyond the superficial, to accept negative feedback, and to make the changes that are needed.

Although the small sample size makes statistical generalization from this study difficult, we believe the subject matter is of interest and generates insights that are useful to small business practitioners and educators alike.

Questionnaire

The questionnaire has two sections: the first section was to be completed by all CEOs and the second section was to be completed only if the company had formal diversity programs in place. The first section was expanded as a result of pilot studies indicating that many small companies did not have formal programs to deal with diversity. This section included the CEOs' perceptions of the importance of diversity practices, the populations they used to define diversity, and their evaluation of the adequacy of the time devoted to diversity.

The second section of the questionnaire, based on items from Morrison (1992), was much briefer than Morrison's list but was organized around her three areas: recruitment, development, and accountability. These categories were modified based on the study by Konrad & Linnehan (1995). From Konrad & Linnehan, we included some items for demographic analysis: date of the first diversity programs in the company, percentage of women and non-Caucasians in the workforce and in management, percent of the workforce that was unionized, whether the company is regulated by the Office of Federal Contract Compliance, and whether the company had been the subject of an AA/EEO law suit.

RESULTS

The questionnaire first asked general questions about (1) the CEO's perception of the importance of diversity practices, (2) the adequacy of time spent on diversity, (3) the groups who benefitted, (4) and whether the company had formal diversity practices. If the company had formal diversity programs, the CEO or a designee was invited to complete the rest of the questionnaire, evaluating the effectiveness of specific diversity practices. Of those responding, 28.6 percent said they had formal practices; 71.4 percent reported that they did not have formal practices for dealing with diversity. Of the questionnaires listing the title of the individual completing the second part of the questionnaire, the following breakdown of titles was given: four CEOs, four VP-HR, one President, one EEO officer, and one HR representative.

CEOs were asked to rate the importance of diversity practices with regard to five elements in their company: profitability, competitiveness in their industry, employee morale, recruitment, and progress of women and non-Caucasians. These were reported on a five-point scale from 5 (very important) to 1 (not important). Employee morale was rated most important (with a mean of 4.00); followed by progress of women and non-Caucasians (3.83); recruitment (3.71); profitability (3.27); and competitiveness (3.24). The data were also analyzed, separating the responses of those with formal programs from those without such programs. These results are given in Table 1.

Responding to whether the attention paid to diversity was adequate, 10 percent of the CEOs responded it was inadequate, and 90 percent reported it was about right. None said too much time was being spent in this area. When analyzing this question based on whether the respondent had formal programs for diversity, the percent remained the same; 27 of 30 respondents without programs responded that efforts were about right, as did 9 of the 10 respondents with formal programs who completed this question.

As we stated earlier, our questionnaire addressed the company's definition of diversity by allowing the CEO to select as many choices as desired from **gender, race, age, or disability**. In addition, there was a choice of "other" if they wished to specify some other approach. The

populations intended to be benefitted were primarily based on gender and race; this is similar to the EEOC definition. Non-Caucasians and women were each reported as a focus of efforts in 80.5 percent of the companies. Disabled workers were intended to be helped in 58.5 percent of the responding companies; older workers in 41.5 percent. Several responses were made with regard to other populations intended to be benefitted: "people of diverse personality and abilities", "[those needing] retraining", "recent hires" and "all employees."

TABLE 1

Rating of Importance of Diversity to Company Achievement Categories

<u>Category</u>	<u>Mean Companies With Diversity Practices</u>	<u>Mean Companies Without Diversity Practices</u>	<u>Mean All Companies</u>
Profitability	2.55	3.53	3.27
Competitiveness	2.82	3.40	3.24
Employee Morale	4.18	3.93	4.00
Recruitment	4.00	3.60	3.71
Progress--Women & Minority	4.09	3.73	3.83

Scale from 1 (not important) to 5 (very important)

For the middle part of the questionnaire, respondents were asked not only to indicate if they had a specific practice in their company, but also to rate its effectiveness with a letter grade. The letters were converted to numbers (A = 4; B = 3; C = 2; D = 1; F = 0). The results from this part of the questionnaire are reported in Table 2. CEOs were also asked to rate the overall effectiveness of their company's diversity practices in achieving their objectives from A (4) to F (0). With 10 of the 12 companies reporting, the average rating was 1.90, or just below a C grade.

When asked in an open-ended question which diversity practices were considered most successful in their company, the CEOs' most frequent responses related to recruiting and training. Other answers were leadership and "valu[ing] the equality of all employees." One respondent wrote, "Seeking diverse job applicants then treating everyone equally." Another wrote, "We are just beginning on this journey. Creating awareness through training has been the focus."

Respondents were asked what their biggest problems were in trying to implement diversity practices in their company. Answers to this question usually involved either (1) a lack of sensitivity or support from existing employees or (2) recruiting problems--a lack of diversity or ability of individuals in the available work pool. One respondent wrote that a major problem is "getting people to really understand their own biases and the benefits of diversity--especially as it relates to the business." Another said simply, "Time constraints."

TABLE 2

**Rating of Effectiveness of Diversity Practices
(Companies with Formal Practices)**

<u>Diversity Practice</u>	<u>Mean</u>	<u>n *</u>
<u>Recruitment</u>		
partnerships with educational institutions	2.90	10
diversity-based internships	2.75	8
targeted recruitment of non-managers	2.67	9
partnerships with diverse communities	2.13	8
targeted recruitment of managers	1.82	11
<u>Development and Support</u>		
career planning for diverse employees	2.44	9
attitude or value training	2.40	10
formal mentoring for diverse employees	2.25	8
skills training	2.13	8
networks and support groups for diverse employees	1.71	7
<u>Accountability</u>		
policies against prejudice	3.42	12
family-friendly policies	3.33	9
diversity in mission statement/code of conduct	2.91	11
top management support of diversity practices	2.83	12
internal audit or surveys about diversity	2.00	8
active EEO/AA office or committee	2.00	6
diversity as part of performance evaluations	1.86	7
diversity as part of compensation decisions	1.86	7
diversity as part of promotion decisions	1.71	7
diversity as part of succession planning	1.67	6
advocacy or advisory groups for diverse groups	1.43	7

Grade of A (excellent) = 4

Grade of F (unsatisfactory) = 0

* number of responding companies using this practice

The final questions of the survey involved demographic-type questions, primarily suggested by Konrad and Linnehan (1995). In responding to "when" formal diversity practices were first put in place in their company, one company began in 1976, one in 1988, one in 1990, two in 1991, two in 1992 and two in 1996. Table 3 summarizes other demographic questions involving the percentage of the workforce and management who were women or non-Caucasian, the number of companies under OFCCP regulation, and the number of companies having AA/EEO lawsuits.

TABLE 3**Demographic Data about Companies**

<u>Category</u>	<u>Mean</u>	<u>n =</u>
Women in workforce	35.92%	12
Non-Caucasians in workforce	21.75	12
Women in management	15.00	12
Non-Caucasians in management	14.08	12

<u>Category</u>	<u>Results</u>	
Is company regulated by OFCCP 14.3% unknown	50.0% Yes	35.7% No
Was company subject of AA/EEO lawsuit	50.0% Yes	50.0% No
Outcome of AA/EEO lawsuit 16.67 Pending	66.7% Won	16.67 Settled

DISCUSSION

Two types of information arose in this study: (1) an analysis of the differences in the two populations of this study--those that had formal practices in place and those that did not and (2) insights from evaluating formal diversity programs.

Comparing the Two Populations

Companies with formal practices and those without such practices varied dramatically in their appraisal of the importance of diversity to their company. In evaluating the importance of diversity to the first two areas, profitability and competitiveness, companies without practices rated diversity as more important (3.53 and 3.40) than did the respondents with formal practices (2.55 and 2.82). Companies implemented and maintained practices not because they perceived such practices benefitted them in terms of profitability or competitiveness, but for other reasons. The response patterns were reversed in the other three areas. Those with formal practices rated the importance of employee morale (4.18), recruitment (4.00) and progress of women and non-Caucasians (4.09) higher than companies without such practices (3.93, 3.60 and 3.73, respectively).

An area in which a difference might be expected is the perception concerning the amount of time that ought to be spent dealing with diversity. Clearly, the companies with formal practices were spending more time dealing with diversity than those without such practices, yet 90% of the companies in each group answered that the amount of attention paid to diversity was "about right". In other words, companies without formal practices, while indicating that dealing with diversity was important to their profitability and competitiveness, believed that they were dealing with this issue adequately.

On the other hand, companies with formal practices reported concerns about the success of some practices. This is consistent with other research; a 1992 survey showed that only 5 percent of the companies responding thought they were doing a very good job with diversity (Cox & Blake, 1991). The respondents in this study graded themselves below a "C" in 7 of the 21 practice areas. They graded their efforts above a "B" in only two areas: family-friendly policies and policies against prejudice. The overall grade that they gave themselves was 1.90, just below a "C".

What could account for these differences in evaluation? To some extent this may be some sort of perceptual bias. It is probably easier for CEOs to believe that things are going well and that time and money do not need to be diverted to additional programs or practices. It may also be in the best interest of human resource professionals to believe that additional programs and practices are needed. Whether or not biases impact evaluations concerning the need for practices, another possible explanation is that respondents from companies without formal practices may not see problems that exist because they are unprepared to see them. It is possible that these *Forbes* 200 companies are not doing as well with regard to diversity as they believe they are doing.

Many scholars argue that one of the most critical elements for the success of a diversity program is top management support (Arrendondo, 1996; Cross, 1996; Fine, 1995; Gardenswartz & Rowe, 1993; Thomas, 1991). But what does "top management support" mean? The CEOs in our sample believed that they support equal opportunity and diversity, yet most had no formal programs in place to promote these goals. In addition, they believed that the efforts that they were making were adequate; therefore, they were not motivated to make additional efforts in this area.

Even if improvement of managing diversity is a cost-effective strategy, it seems that paying attention to this issue is not something that small, successful companies do voluntarily; CEOs have too many more pressing problems to address. Analyzing the 12 companies with formal programs, we found that 50 percent of them had been involved in an AA/EEO lawsuit and 50 percent of them were regulated by the Office of Federal Contract Compliance Program (OFCCP). Both of these situations tend to promote the establishment of diversity-oriented programs. Only two companies were involved both in the OFCCP regulation and in AA/EEO lawsuits; so it is fair to say that external pressure may have played a part in the decision of the companies with formal diversity practices (in our sample) to institute those practices.

Evaluations of Formal Diversity Programs

The evaluations made by respondents with formal practices of their diversity practices may be useful to CEOs and others in companies without such practices, as they expand their efforts in diversity-related areas. Most companies with formal practices had policies against prejudice (12 of 12) and family-friendly policies (9 of 12) in place. These are also the areas that were reported

as being most successful (3.42 for policies against prejudice and 3.33 for family friendly policies--both B+).

The two areas most frequently mentioned as successful by survey participants were training and recruitment; these findings agree with other research (Cox, 1994; Scales & Emery, 1996). One respondent specifically stated that their company was "just beginning on this journey" and indicated that "creating awareness" seemed to be an appropriate early focus. Another participant was pleased with the "formal training ... for all employees" (emphasis added). One of the specific goals of such training would be to value the equality of all employees. Results of this study also lend support to those experts who indicate that recruitment is or can be one of the most important elements in a successful diversity program (Morrison, 1992; Gardenswartz & Rowe, 1993; White, 1996).

Sending all employees to diversity training, however, may not be the answer for all companies (Morrison, 1992). Arrendondo (1996) reported that the majority of diversity leaders she polled believed that beginning with training was *not* a good idea. According to Joplin and Daus (1997, 35), "companies at the stage of intolerance may not yet be ready for such initiatives. If employees are forced to attend diversity training that they and/or their organizations do not support or believe in, the training can actually make the situation worse."

Within the three categories of "recruitment," "development and support," and "accountability," we will summarize the programs that were most widely adopted and those that were evaluated as most successful. In the "recruitment" area 11 out of 12 respondents reported efforts at recruiting managers; however, this was the area in which companies were *least* satisfied with their success (1.82 "C-"). Companies reported 15 percent of their managers were women and 14 percent of their managers were non-Caucasian. However, this was much lower than the overall percentage of workers in these two categories (women 36% and non-Caucasians 21.75%). The most successful program in the recruitment category was partnerships with educational institutions (2.90--just below a "B"), with diversity-based internships as second (2.75--about a "B-").

In the category of "development and support" the most frequently used program was attitude training (10 of 12 using it), followed by career planning (9 of 12). These were also the programs that were rated as most successful, although this category overall ranked lowest (2.44 and 2.44--"C+"). The least utilized (7 of 12) and the least successful (1.71) were networks and support groups for diverse employees. Perhaps these companies were too small to have the critical mass of diverse employees necessary to form effective networks and support groups, since these approaches have been reported as successful in larger organizations (Cox, 1994; Fine, 1995; Thomas, 1991).

The "accountability" category was the largest, and some of the successful programs in this area have already been discussed. Having policies against prejudice was the most frequently used (12 of 12) and the most successful program (3.42 or A-). Having top management support was also a program that was present in 12 of 12 companies; however, it was not judged to be as successful (2.83 or B-). Including diversity as part of the mission statement was about as frequently (11 of 12) and as successfully (2.91) used. The least frequently used programs were having an AA/EEO office and using diversity as part of succession planning (6 of 12 in each instance). The lowest score for any program involved having advocacy or advisory groups for diverse employees (7 of 12 had such programs), and they were graded at 1.43 ("D+").

The two areas mentioned as involving the biggest problems in implementing diversity programs were persistence of biases and failures in recruitment. The most frequently mentioned problem areas are similar to the most frequently mentioned success areas: recruitment and training. Yet, training is intended to dispel biases or lack of understanding. This difference may be explained with the notion that negative attitudes can be very persistent, despite training and other programs. One-time training sessions may not resolve such problems, and companies must be persistent if they are to make any headway. Similarly, since efforts at recruitment are both noticeable and measurable, both the successes and failures are readily apparent, and most companies have examples of each.

SUGGESTIONS FOR APPLICATION

An increasingly diverse workforce will continue to impact all businesses, large and small, at an escalating rate. If Affirmative Action requirements are dismantled, Equal Employment Opportunities regulations will remain the law. Any company with over 15 employees can be the target of a lawsuit claiming discrimination in this area. In addition, as it becomes harder to find qualified employees using traditional means, employers who want excellent employees will need to explore less traditional employee sources if they are to maximize their opportunities of finding the best candidates. This may include targeted recruitment of managers and employees, diversity-based internships, and partnerships with special communities and educational institutions.

Companies not realizing that conscious efforts are required to fully utilize the skills and abilities of more diverse employees will fall behind companies that have programs in place to better utilize and develop the abilities of their employees. Coming, for example, estimates saving \$5 million by developing programs to reduce the high turnover of their diverse employees (Robinson & Dechant, 1997). The costs of ignoring diversity may rise as many industries become increasingly service-oriented.

Smaller, successful companies, such as those in our study, seem to be lagging behind larger companies in dealing with diversity issues. Perhaps this is because they have so few personnel to use to address such issues. However, an additional problem seems to be perception; 90 percent of the sampled companies without formal practices indicated that they are already "doing enough with diversity".

Learning from Larger Companies with Formal Programs

In this paper we suggest that companies interested in developing diversity programs begin by: (1) drafting a mission statement, code of conduct, and policies that reinforce the diversity-friendly values of the organization, (2) examining their recruiting and training needs, and (3) using caution. This is a complex and sensitive area, and companies may be wise to hire a consultant to guide them in dealing with these delicate issues (Cox, 1994). Nevertheless, we will offer a few suggestions to small companies beginning this endeavor.

Readings abound concerning successful efforts that have been made to harness the power of diversity within organizations. A Harvard Business School case from 1991 (9-492-009) summarizes some solutions being implemented based on 25 articles from journals, and the case gives very brief highlights of seventeen companies' diversity efforts. A more recent special advertising section in *Black Enterprise* by April Klimley (July, 1997) gives longer descriptions

of over two dozen companies' programs. A source for those interested in developing a comprehensive approach to diversity is *Developing Competency to Manage Diversity: Readings, Cases and Activities*, by Cox and Beale (1997).

CONCLUSION

This paper investigates an area that could prove very valuable in the future. As an exploratory study, it raises many questions about the usage and effectiveness of diversity practices in smaller companies. It is not surprising that just over one-quarter of the small, successful companies in this study have programs to manage diversity. It is also not surprising that companies with little involvement in specific diversity programs judge themselves to be doing fairly well in this area, while the companies with diversity programs are more pessimistic about the success of their diversity efforts. The more work that is done in this area, the more managers become aware of what still needs to be accomplished. The companies sampled are involved in many practices that other companies might want to adopt. These companies can serve as models to other companies that may choose to become involved in diversity as an approach to manage employees more effectively.

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Sandra Powell, Ph.D is an assistant professor in the Department of Business Administration in the College of Business and Economics at Weber State University in Ogden, Utah. She holds a J.D. degree as well as an MBA and PhD, all from the University of Utah.

Lon Addams, Ph.D is a professor of management and Dee Smith Fellow in the Department of Business Administration, College of Business and Economics at Weber State University in Ogden, Utah.

Brian Davis, Ph.D is Century Institute Scholar and professor of business administration in the Department of Business Administration, College of Business and Economics at Weber State University, Ogden, Utah.